

**MISSOURI PSTIF
FINANCIAL PROJECTION ASSUMPTIONS
PERIOD OF JULY 1, 2003 THROUGH DECEMBER 31, 2010**

PRESENTATION CHANGE:

Prior financial projections prepared by Williams & Company Consulting, Inc. have been forward looking from the actual cutoff date of the projections. For example, the December 31, 2002 projections reflected the actual financial position of the Fund as of that date with the projections reflecting estimated revenue and expenditures for the six month period of January 1, 2003 through June 30, 2003 and the annual projected operating results for the remaining years of the Program. For ease of comparison to the projections prepared and presented six months ago, these financial projections are as of July 1, 2003 and reflect a full fiscal year (July 1, 2003 through June 30, 2004) based on actual results for the six month period of July 1, 2003 through December 31, 2003 and our estimates for the remaining six months of fiscal year 2004. This format allows the reader to more easily identify changes in financial trends and assumptions for the current fiscal year.

The following are the assumptions used in projecting the Missouri Petroleum Storage Tank Insurance Fund Balances for the period of July 1, 2003 through December 31, 2010.

REVENUES:

- Transport Load Fees are projected to remain at \$40/load for the remainder of the projection period.
- \$100 Initial Tank Fees assumes 200 new tanks participating each year for fiscal years 2004 through 2011.
- UST Participation Fees for fiscal year 2004 are based on 2,750 policies. The number of policies is projected to increase 25 for fiscal year 2005, then remain constant at 2,775 policies for fiscal years 2006 to 2011. The average participation fee per policy for fiscal years 2004 through 2011 is assumed to be \$354, which reflects the current average participation fee. For fiscal years 2005 through 2011, Extended Reporting Period Endorsements are projected at an average participation fee per endorsement of \$354 with 50 in 2005, 100 in 2006, 150 in 2007, 200 in 2008, 250 for fiscal year 2009 through 2010 and 125 in fiscal year 2011.
- AST Participation Fees for fiscal year 2004 are based on 498 policies. For fiscal year 2005, the number of policies issued is projected to increase by 17, then remain constant at 515 policies for fiscal years 2006 to 2011. The average participation fee per policy for fiscal years 2004 to 2011 is assumed to be \$434, which reflects the current average participation fee. For fiscal year 2004 through 2011, an average of 50 Extended Reporting Period Endorsements are projected at an average participation fee per endorsement of \$294.
- Interest Income is assumed to be earned at a 1% rate for fiscal year 2004, 1.50% for fiscal year 2005, 2.00% for fiscal year 2006, 2.75% for fiscal year 2007, 3.50% for fiscal year 2008, 4.25% for fiscal year 2009 and a 5.00% rate for the remaining fiscal years, based on the prior year ending fund balance.

ADMINISTRATIVE EXPENSES:

- Third-party Administrative Expenses are assumed to increase 2% for fiscal years 2005 through 2010.
- All other administrative expenses are based on fiscal year 2004 appropriation requests and assumed to increase 3% a year through fiscal year 2011, noting that an actuary study was performed in fiscal year 2003 and will be conducted every other fiscal year after 2003.
- State Government Expense represents a transfer of money from “Other Funds” to the General Revenue fund for fiscal years 2004 through 2011 for administrative costs.

CLAIM PAYMENTS:

- **UST Insurance Claims** - As of June 30, 2003 the Fund had 563 open UST Insurance claims, with 41 considered Large Loss Claims. The projections reflect cleanup activities were started on 265 of these claims as of June 30, 2003. The projections assume the remaining 257 claims will either start cleanup or submit invoices for work previously completed during the period of fiscal years 2004 through 2009.

Fiscal year 2004, 3% of all insured UST sites are assumed to have or discover a release resulting in a claim. For fiscal year 2005, 2 ½% of all insured UST sites are assumed to have or discover a release resulting in a claim and for fiscal year 2006, 2%, for fiscal year 2007, 1 ½ %, and for the remaining fiscal years, 1% of all insured UST sites are assumed to have a release resulting in a claim.

Projected UST Insurance claim payments are based on average costs incurred to date, approved budgets, and estimated future remediation costs.

The Board has chosen to offer tail coverage to UST policyholders. The projections assume 0 claims will be made during extended reporting periods in fiscal year 2004, 10 claims in fiscal years 2005 through 2010, and 5 claims in fiscal year 2011.

Projected UST Tail coverage claim payments are based on average costs incurred to date, approved budgets, and estimated future remediation costs.

- **UST Remedial Claims** - As of June 30, 2003, the Fund had 959 open UST Remedial claims, with 73 considered Large Loss Claims. The projections reflect cleanup activities were started on 411 of these claims as of June 30, 2003. The projections assume 75 claims will either start cleanup or submit invoices for work previously completed in fiscal years 2004 through 2008; 50 will start cleanup or submit invoices for previously completed work in fiscal years 2009 and 2010.

Projected UST Remedial claim payments are based on average costs incurred to date, approved budgets, and estimated future remediation costs.

The projections estimate an additional 520 new UST Remedial claims being filed, and assumes the Board will continue to release funding for new remedial claims within 60 days of receipt, as has been its recent practice.

- **AST Insurance Claims** - The Fund currently has 60 open AST Insurance claims, with 11 considered Large Loss Claims.

For fiscal years 2004 through 2011, 5% of all insured AST sites are assumed to have or discover a release resulting in a claim.

Projected AST Insurance claim payments are based on average costs incurred to date, approved budgets, and estimated future remediation costs.

The Board has chosen to offer tail coverage to AST policyholders. The projections assume 10 claims will be made during extended reporting periods in fiscal year 2004, 15 claims in fiscal years 2005 through 2010, and 7 claims in fiscal year 2011.

Projected AST Tail coverage claim payments are based on average costs incurred to date, approved budgets, and estimated future remediation costs.

- **AST Remedial Claims** - The Fund has 69 open AST Remedial claims, with 6 considered Large Loss Claims. These claims represent claims filed for “out of use ASTs” reported prior to December 31, 1997.

Projected AST Remedial claim payments are based on average costs incurred to date, approved budgets, and estimated future remediation costs.

The projections estimate an additional 70 new AST Remedial claims being filed, and assumes the Board will continue to release funding for new remedial claims within 60 days of receipt, as has been its recent practice.

- **Large Loss Claims** – As of June 30, 2003, the Fund has 131 open claims with estimated cleanup costs equal to or greater than \$250,000. 145 additional claims are assumed to become large loss claims during fiscal years 2004 through 2011.

- **Risk-based Correction Action (RBCA)** - The Department of Natural Resources (DNR) is finalizing the implementation of a practical Risk-based Correction Action (RBCA) option in order to provide an opportunity to reduce remediation costs at some sites. The projections do take into account costs that may increase and decrease in the implementation and continuation of using RBCA for future remediation work as follows:

- Increased costs for site characterization
- Decrease in the number of years of groundwater monitoring
- Decrease in the number of facilities and amount of overexcavation costs